1. INTRODUCTION

Evaluation of financial position of any business enterprise can be done through financial analysis. Financial analysis tries to look at the capital cost, operating expenses and operating income. The analysis also establishes a relationship between the various factors of a balance sheet and profit & loss account of the unit. It serves as a common measure of value for getting a clear understanding about the unit from the financial point of view. One can get a clear idea about financial Strengths and weaknesses of a particular business enterprise, after tracing down the financial position of the organization.

The co-operative credit structure consists of two groups; one provides short term and medium term credit and other is for long term credit. The co-op credit structure for short term and medium term credit is a three tired pyramidal structure:

- Primary credit societies at village and city level
- Central co-operative banks at district level
- State co-operative banks at apex level.

The Urban co-operative bank comes under primary co-operative societies at the base level of the three tired pyramidal structure. The urban co-operative banks are the only institutions in a co-operative credit structure which are very helpful to meet the requirement of small farmers and small scale industrial concerns as UCBs are formed on the principle of co-operation. Thus, right from their establishment, UCBs are solving the economic problems of the lower middle income group of people and thereby contributing to the economic development of the country.

2. OBJECTIVES OF THE STUDY

The study is designed to fulfill the following objectives:

- To study the growth and performance of Scheduled UCBs in Gujarat State.
- To measure and compare the efficiency of Scheduled UCBs in Gujarat state.
- To suggest the appropriate measures to improve the efficiency and financial health of Scheduled UCBs.

- To find out the composite ranking of each of the SUCBs in Gujarat State by applying the CAMEL Model.

3. RESEARCH METHODOLOGY

The study is based on only secondary data which have been collected from:

(1) Annual Reports of the bank

(2) Manual of instruction on loan and advances

(3) Books

(4) Articles and Research papers

(5) Internet

Secondary data were analyzed by three different techniques like Accounting, Statistical and Mathematical. Various methods were used for all different techniques which are as under:

Accounting Techniques:

Mainly four different techniques are used which are as under:

1. Common size analysis
2. Comparative statement analysis
3. Trend analysis
4. Ratio analysis

For Common Size analysis, the balance sheet has been converted to common size by converting each item on the assets side as a percentage of total assets. Similarly each item on the liabilities side has been converted as a percentage of liabilities. Likewise profit and loss account has also been converted to common size by converting each item of profit and loss account as a percentage of sales. Thus, the Common Size Statements have been prepared and analyzed.

Trend analysis has been done by comparing the banks' ratios to the trend data to see how selected banks are doing over a series of time periods.

For Ratio analysis, the evaluation has been done by using CAMEL parameters, the latest model for financial analysis of banks. In applying this model, five main dimensions of the performance (Capital adequacy, Assets quality, Management capability, Earning capacity and Liquidity) have been assessed using ratio analysis. For that purpose the financial ratios have been divided into five main categories and several sub-categories.

C	**Capital Adequacy Ratios**	(i) Capital Adequacy Ratio, (ii) Debt -Equity Ratio, (iii) Proprietary Ratio, (iv) Interest Coverage Ratio, (v) Total Advances to Total Assets Ratio, (vi)Government Securities to Total Investment ratio.
A	**Assets Quality Ratios:**	(i) Net NPA to Net Advances Ratio, (ii) Gross NPA to Net Advances Ratio, (iii) Loan Loss Cover, (iv) Total Investments to Total Assets Ratio.
M	**Management Capability Ratios:**	(i) Expenditure to Income Ratio, (ii) Total Advances to Total Deposits Ratio, (iii) Assets Turnover Ratio, (iv) Diversification Ratio, (v) Earning Per Employee, (vi) Business Per Employee.
E	**Earning Ratios**:	(i) Return on Assets, (ii) Return on Equity, (iii)Spread Ratio, (iv)Net Interest Margin, (v) Operating Profit to Working Fund Ratio, (vi) Interest Income to Total Income Ratio.
L	**Liquidity Ratios:**	(i) Current Ratio, (ii) Quick Ratio, (iii)Liquid Assets to total Assets Ratio, (iv) Liquid Assets to Total Deposits Ratio, (v) Government Securities to Total Assets Ratio, (vi) Investment to Deposits Ratio

Statistical Techniques:

Following Statistical Techniques have been used for the analysis of financial statements.

1. Average (central Tendency)
2. Standard Deviation
3. Co- efficient of variation
4. Co- efficient of correlation
5. Co- efficient of determination
6. Regression Analysis
7. t-test
8. ANNOVA

Mathematical Techniques:

For Mathematical analysis, Lagrange's method of Interpolation has been used.

4. SCOPE OF THE STUDY

The proposed study is a census study as the whole state of Gujarat covers 7 scheduled urban co-operative banks and all that 7 scheduled urban co-operative banks have been covered under the study. It includes the following scheduled urban co-operative banks.

1. Ahmedabad Mercantile Co-operative Bank Ltd., Ahmedabad
2. Kalupur Commercial Co-operative Bank Ltd., Ahmedabad
3. Mehsana Urban Co-operative Bank Ltd., Mehsana
4. Nutan Nagrik Sahakari Bank Ltd., Ahmedabad
5. Rajkot Nagrik Sahakari Bank Ltd., Rajkot
6. Sardar Bhiladwala Pardi Peoples Co-operative Bank Ltd., Pardi
7. Surat Peoples Co-operative Bank Ltd., Surat

The present study covers the time space of 10 years from the co-operative year 2002-03 to 2011-12. The study analyses profitability, liquidity, short term financial strength, long-term financial strength and capital structure analysis.

5. IMPORTANCE OF THE STUDY

"As the literature is the mirror of a society's culture and civilization, the banks are the barometers of a nation's economy. The prosperity and decline of an economy are immediately known from the extent of banking business."[1]

Banker's point of view: the present study is very significant from a banker's point of view. The study focuses on analyzing efficiency, solvency, profitability and viability of all scheduled urban co-operative banks in Gujarat state. The study also helps the banker to compare the profitability of the last 10 years. Trend analysis guides the particular banker about the trend of banks (regarding profitability, solvency and efficiency). Apart from that present study also gives some important suggestion in the light of the conclusion. The manager of a particular bank can apply the suggestion given by a researcher for the better performance of the bank.

Society's point of view: Analysis of financial statement has become **significant for society** also. Society as a whole includes creditors, customers, shareholders, employees, trade unions, economist, investment analysts, taxation authorities and government. In society, various people look at the financial statements from various angles. If RBI put a particular SUCB under section 35(a), the future of its customer, employees, investors, and shareholder will be in danger. Present study gives a clear idea to the shareholders that whether they should purchase a share of a particular bank or not (after thoroughly checking the profitability, solvency and efficiency). Customers can decide whether to open an account with a particular banker or not. The study is also helpful for employees as well as the managers of the selected banks for decision making.

The study also enables the researcher to identify the determinants of the financial performance and to understand the financial capability and effectiveness of all Scheduled UCBs. Moreover, the study has academic relevance too. New theoretical and practical

[1] Dr.P.P.Roy:Management of Urban Co-op Banks, , Himalaya Publishing House, New Delhi, ed 2001, p.08.

knowledge has undoubtedly, been added to the existing knowledge. The present study also acts as a masterpiece on the subject for further research and development.

6. CHAPTER PLANNING

In order to present the research work in a lucid way, it has been divided into seven chapters. The layout of these chapters is delineated below:

Chapter I: describes the objective of study, research methodology used for the study, the scope of the study, importance of study, chapter planning and limitation of the study.

Chapter II: presents a brief review of related literatures on the subject.

Chapter III: is conceptual in nature and has been divided into several subparts, which includes meaning, definition, concept, significance, objectives of financial analysis. Needs, types, techniques of financial analysis, utility and users of financial statements are dealt very systematically.

Chapter IV: explains the theoretical framework on Urban Co-operative Banks. It covers the growth of the banking industry in India. Theoretical review of banking industry, progress of the banking industry, history of the banking industry and the background of Indian banking industry are discussed in this chapter. It also explains the co-operative credit structure, origin and growth of UCBs both in India and in the state of Gujarat.

Chapters V: discuss about data presentation and bring out the analysis. This chapter assesses the management of profitability and the management of working capital by using different Accounting tools statistical tools and mathematical tools. Moreover this chapter also describes different methods used for analysis of

financial statements of SUCBs. The different types of ratios, t-test and Regression analysis and ANNOVA are used to draw the conclusions. So far as mathematical technique is concerned, interpolation has been used to analyze the financial statements.

Chapter VI: gives an insight into common size analysis of balance sheet and profit and loss account of the SUCBs taken together as well as of individual SUCBs.

Chapter VII: embodies the summary of conclusions and some workable recommendations for the smooth and efficient functioning of Indian Banking industry.

Towards the end of this research work, comprehensive bibliographies on the subject and some appendices have also been added.

7. LIMITATIONS OF THE STUDY

The limitations of the study are as follows:

1. The study includes all the limitations, which are inherent in the data collected from the above mentioned sources.

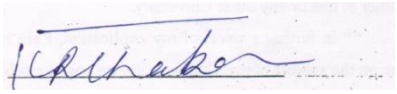
2. While computing the percentages and average, the figures have been approximated, and as such the totals at times may not exactly tally.

3. Limitations of tools and techniques that have been applied for the analysis are also worth mentioning.

4. Comparability and ambiguity of data are one of the major limitations of the study.

Financial analysis can be done by comparing the data of different years of the same banks or different banks. Since business conditions vary considerably from bank to bank and industry to industry, there can be difference in services, accounting policies, level of efficiency, caliber of management and so on…

Because of this differences, financial analysis of a business become a very difficult task for an analyst or researcher but inspite of all these limitations, present study throws glow on the important challenging problems of the Scheduled UCBs.



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